

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L EC BRUSSELS 05277

E.O. 11652: NA

TAGS: EEC, PO

SUBJECT: EC COMMISSION PROPOSALS ON PORTUGAL

REFS: A. EC BRUSSELS 5237

B. PARIS 15017

C. PARIS 15135

1. SUMMARY: THE EC COMMISSION AGREED ON A SET OF PROPOSALS ON PORTUGAL AT ITS JUNE 11 MEETING. THE RECOMMENDATION INCLUDE A PROPOSAL FOR THE NEGOTIATIONS OF A FINANCIAL PROTOCOL BETWEEN THE EC AND PORTUGAL (EUROPEAN INVESTMENT BANK ASSISTANCE), AND, MORE IMPORTANTLY, A NEW "COMMUNITY ACTION" INVOLVING SUBSTANTIAL FINANCIAL AID FROM THE MEMBER STATES TO BE CHanneLED ON A PRIORITY BASIS THROUGH THE COMMUNITY TO PORTUGAL. THE COMMISSION'S PROPOSALS HAVE BEEN FORWARDED TO THE PERMANENT REPRESENTATIVES FOR CONSIDERATION BY THE EC FOREIGN MINISTERS AT THEIR JUNE 24 COUNCIL MEETING. COMMISSION THINKING APPEARS TO BE CLOSE TO FRENCH VIEWS (REFTELS B AND C) RE PROVIDING AID THAT COULD BE QUICKLY TURNED OFF IF
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THE WORST HAPPENS IN LISBON. END SUMMARY.

2. AN EC COMMISSION SOURCE HAS INFORMED US OF THE PROPOSALS ON PORTUGAL WHICH THE COMMISSION AGREED TO AT ITS JUNE 11 MEETING. THE PROPOSALS REPRESENT THE COMMISSION'S RECOMMENDATIONS FOR THE COMMUNITY'S POSITION IN FORTHCOMING NEGOTIATIONS WITH PORTUGAL ON EXPANDING THE 1972 EC-PORTUGAL FREE TRADE AGREEMENT. THE COMMISSION'S PROGRAM HAS THE FOLLOWING FOUR COMPONENTS:

3. IMPROVEMENTS IN THE "FREE TRADE" ARRANGEMENTS BETWEEN PORTUGAL AND THE COMMUNITY: THE RECOMMENDATIONS INVOLVE SOME SLOW-DOWN IN THE DISMANTLING OF PORTUGUESE DUTIES ON EC IMPORTS AND IMPROVED ACCESS TO THE EC FOR SEVERAL PORTUGUESE EXPORTS (E.G., CANNED TOMATOES, SARDINES).

4. IMPROVEMENTS IN THE POSITION OF PORTUGUESE WORKERS WITHIN THE EC: THE PROPOSALS FORESEE THE EXTENSION OF THE SAME SOCIAL SECURITY BENEFITS AND THE RIGHT TO TRANSFER FUNDS TO THE HOMELAND WHICH HAVE BEEN OFFERED BY THE EC TO THE MAGHREB COUNTRIES.

5. AN INDUSTRIAL COOPERATION PROTOCOL, WHICH WOULD PROVIDE FOR TECHNICAL ASSISTANCE AND ENCOURAGE INDUSTRY-TO-INDUSTRY COOPERATION BETWEEN THE EC AND PORTUGAL.

6. FINANCIAL ASSISTANCE: THERE ARE TWO ELEMENTS: (A) A FINANCIAL COOPERATION PROTOCOL WHICH WOULD AUTHORIZE ACCESS FOR PORTUGAL TO THE EUROPEAN INVESTMENT BANK (EIB). THE COMMISSION REALIZES, HOWEVER, THAT A FINANCIAL PROTOCOL, WHICH MIGHT REQUIRE ONE TO TWO YEARS FOR NEGOTIATIONS AND MEMBER STATE RATIFICATION, WOULD NOT MEET PORTUGAL'S PRESSING NEEDS. THEREFORE IN VIEW OF THE IMPORTANCE OF RAPID ACTION, (B) THE SECOND ELEMENT IS THE EXTENSION OF SUBSTANTIAL FINANCIAL AID ON AN URGENT BASIS THROUGH A "COMMUNITY ACTION" PROGRAM. THIS WOULD INVOLVE CHANNELING FUNDS FROM THE MEMBER STATES THROUGH THE COMMUNITY TO PORTUGAL. OUR SOURCE EMPHASIZED THAT THIS WOULD NOT BE CONSIDERED AS MERELY ADDITIVE BILATERAL AID, BUT A "COMMUNITY ACTION" OF A TYPE NEVER ATTEMPTED BEFORE. NO FIGURES FOR ASSISTANCE HAVE BEEN RECOMMENDED, HOWEVER, AND OUR SOURCE STRESSED CONFIDENTIAL

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THAT THERE WAS NO CLEAR PICTURE AS YET AS TO HOW THE PROGRAM WOULD BE SETUP OR MANAGED. HE INDICATED THAT MUCH WOULD DEPEND, OF COURSE, ON THE MEMBER STATES' REACTIONS.

7. IN A SEPARATE TALK JUST BEFORE THE COMMISSION MEETING, A SENIOR EC OFFICIAL EXPRESSED DOUBT THAT THE COMMUNITY WOULD SET UP ANY NEW INSTRUMENTS

JUST FOR PORTUGAL. HE THOUGHT THE NINE WOULD MORE LIKELY PUT SOME KIND OF "EUROPEAN" LABEL ON WHAT WOULD IN FACT BE COORDINATED NATIONAL ASSISTANCE. MOREOVER, COMMISSION OFFICIALS HAVE VERY MUCH IN MIND (PARIS REFTELS) THAT UNILATERAL EC-9 AID WOULD NOT ONLY BE MORE QUICKLY AVAILABLE THAN EIB ASSISTANCE BUT -- SINCE IT WOULD NOT BE THE RESULT OF A FORMAL EC - PORTUGUESE AGREEMENT RATIFIED BY PARLIAMENTS -- COULD BE STOPPED MORE READILY IF THE INTERNAL PORTUGUESE SITUATION GOES SOUR.

8. WE UNDERSTAND THAT THE COMMISSION PROPOSALS ARE BEING FORWARDED TO THE PERMREPS IN BRUSSELS ON JUNE 12 IN THE HOPE THAT THEY WILL REACH TE FOREIGN MINISTERS FOR DECISION AT THEIR JUNE 24 COUNCIL MEETING.
GREENWALD

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